

## **EXHIBIT F**

MP401003849

Mr. S. G. Nagler  
Senior Executive Vice-President

Re 1988 U.S. Ordinary Dividend Scale

Attached is an analysis supporting the dividend scale increase but cautioning that it may not be sustainable beyond 1988. This will primarily depend upon the performance of real estate and other deferred income assets unless we are prepared to impute yields on such assets, put them in a "corporate account" or otherwise relieve the distributable interest rate of their depressing impact.

The adjustment for unrealized capital gains may be smaller than expected due to:

1. Part is already reflected in the depreciation charge (\$120 million p.a.)
2. This is Ordinary Life only - Industrial has a sizable piece of the total for "traditional" life.
3. Using a 5 year amortization assumption (significant) of the excess of market over book generated in late '70's and early '80's, but the adjustment captures all incrementally added value.

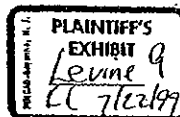
I've asked for an analysis similar to the one we did for the Canadian scale can believe it will provide some additional insight but basically lead to the same conclusions.

John R. Middle  
Senior Vice-President & Chief Actuary

October 23, 1987

JET:fl

Copies to: Messrs. Crimmins, Meyer, White



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U.S. ORDINARY

ADD TO INCLUDE  
ACCRUED UNREALIZED  
CAPITAL GAINS ON REAL ESTATE  
(over and above change  
in depreciation)

TARGET EARNINGS  
Interest on surplus plus  
a small risk premium

LOST' INCOME ON  
PLAN'S GFE, SUBS  
RELATIVE TO PLOED  
INCOME ALTERNATIVES

CONCLUSIONS: 1. Scale OK this year but would require distribution of surplus (i.e. more than current earnings) in 88+  
2. Need either a) more R&D income or appreciation and/or  
b) more return on subsidiaries and/or  
c) ~~improved return~~ on DIA'S to sustain.

JET

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